

FUELWATCH — REGIONAL PRICES

72. Hon KEN BASTON to the parliamentary secretary representing the Minister for Planning and Infrastructure:

This is a question I asked last week, but we had a burnout. I refer to the manner in which the daily fuel payments paid by the Public Transport Authority to school bus contractors is calculated, and note that the price of fuel in Kununurra consistently exceeds the average regional price.

- (1) Is the minister aware that FuelWatch can supply average fuel prices by individual town?
- (2) If yes, can the minister explain why daily fuel payments are not calculated using average fuel prices for individual towns?
- (3) If no, will the minister consider changing the calculation of daily fuel payments by using the average prices for individual towns?

Hon ADELE FARINA replied:

I thank the honourable member for some notice of this question.

- (1) The fuel payment model referred to in the question relates to a large number of school bus contracts negotiated and ultimately effective from 2002, commonly referred to as “composite rate model contracts”. The new composite rate model contract was negotiated as an average costs model, as individual contractors did not tender for these services. Contractors who accepted composite rate model contracts did so in preference to going to a competitive tender for those contracts. The use of the FuelWatch list of prices was part of the originally negotiated payment model. The contract also has a fuel top-up mechanism through which a contractor is able to claim from the government any additional cost of fuel actually paid by the contractor if there is a price differential of greater than 3c per litre. The top-up is available on a half-yearly basis. The contract allows payments linked to fixed and variable costs to be reviewed over a three-year cycle by an independent review panel. The review principles set out in the contract confirm that the composite rate model is an average cost model, but allow for more specific links to contractors’ costs, provided that the administrative obligations and commercial outcomes thereby imposed by the parties are reasonable in comparison with contracts for school bus services awarded under a competitive tender process.

In 2007, the payment linked to fuel was a reviewable item that could be raised before the independent review panel. Instead of the initial CRM contract arrangement under which the average metropolitan FuelWatch fuel price was used and a regional cost uplift factor applied, based on Regional Development Commission figures and boundaries, the school bus industry proposed that fuel should be indexed using the actual FuelWatch reported average fuel price for each region; for example, the Kimberley price. The Public Transport Authority agreed to the changes, noting that the new indexation would mean that contractors operating in the north west of the state would be better remunerated. For instance, contractors in the Kimberley are now 6c per litre better off under the change in indexation. The proposal was put to the review panel, which agreed that the changes were appropriate and issued a determination, dated 22 November 2007, effecting the change. In any event, the fuel top-up mechanism continues to apply.

- (2) Representatives of the school bus industry will next be able to present a case to review the method by which fuel is adjusted in 2010, when fuel costs are scheduled to be reviewed again.